

## *What you need to know about . . .*



Some small businesses across America have sustained economic injury as a direct result of the destruction of the World Trade Center, the damage to the Pentagon, or the Federal actions taken as a result between September 11 and October 22, 2001.

As a result, some of these small businesses are unable to pay normal operating expenses or payments as they come due.

*Due to the unique and far-reaching economic impacts of the destruction of the World Trade Center, damage to the Pentagon, and related Federal actions, the SBA has taken the unprecedented step of extending eligibility for the Economic Injury Disaster Loan program beyond the political jurisdictions near where the events occurred. The program is now available to the entire United States.*

### **Purpose**

To provide working capital funds to eligible non-farm small businesses to meet ordinary and necessary operating expenses and debt payments (that they could have met had the disaster not occurred) until normal operations resume.

To address such needs for funds arising directly as a result of the destruction of the World Trade Center or damage to the Pentagon on September 11, 2001, or as a direct result of any Federal action taken between September 11, 2001 and October 22, 2001.

Loan funds may only be used for operating expenses and for payments on debts until the business recovers, and not for long-term purposes.

### **General Limitations**

1. Loan eligibility is restricted to applicants that can't provide for their own recovery without undue financial hardship. Loans are not available to applicants with the financial capacity to fully fund their own recovery.
2. The program does not cover lost income or lost profits. It does not cover the effects of a general economic downturn, and it does not cover financial problems that existed before September 11.
3. Loan funds cannot be used to refinance long-term debt, purchase fixed assets, or to expand a business.

## **Area of Eligibility**

Small businesses located in all 50 states, American Samoa, the District of Columbia, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, the Federated States of Micronesia, Guam, the Republic of the Marshall Islands, and the U. S. Virgin Islands are eligible.

## **Small Businesses**

The Economic Injury Disaster Loan program is limited by law to small businesses. The September 11 Economic Injury Disaster Loan program is only for applicants that qualify as small businesses.

SBA defines small businesses in its regulations. SBA has established a size standard for each industry. Each industry's size standard is based on either the number of employees or average annual revenue.

## **Assistance is a Loan**

Because this assistance is in the form of a loan, SBA requires a reasonable assurance that loans can and will be repaid. SBA will review the credit report and will assess the ability to repay a loan from operating income.

## **Eligible Direct Connection**

SBA will need to determine that each applicant small business sustained substantial economic injury as a **direct** result of the destruction of the World Trade Center, the damage to the Pentagon, or a related Federal action taken between September 11<sup>th</sup> and October 22<sup>nd</sup>, 2001. Generally, the **direct** causal connection must fit the following criteria:

1. A small business that was located in an airport or other facility that was closed, or suspended its operations, or was otherwise disrupted as a result of national security as mandated by the Federal government; or
2. A small business that supplied or provided services to a business that was located in or near the World Trade Center or Pentagon; or
3. A small business that supplied or provided services to a business or industry adversely affected by the destruction of the World Trade Center, damage to the Pentagon or Federal action; or is otherwise dependent on a business or industry so adversely impacted; or

4. A small business that is dependent upon a business or other organization that was closed or suspended its operations or was otherwise disrupted as a result of the destruction of the World Trade Center, damage to the Pentagon or Federal action; or
5. A small business that was directly impacted by destruction of the World Trade Center, damage to the Pentagon or Federal actions between September 11<sup>th</sup> and October 22<sup>nd</sup>, 2001.

Please note that a general decline in business since September 11<sup>th</sup> is not eligible for this program unless it is the direct result of the destruction of the World Trade Center, damage to the Pentagon, or related Federal actions. A decline in revenue due to public reaction in the wake of September 11<sup>th</sup> is not covered by this program.

### **Factors NOT Eligible**

1. The business is not small as defined by SBA's size standards.
2. The business was not adversely impacted on September 11 or after compared to operations before September 11.
3. The business downturn reflects a general economic downturn, and is not directly caused by the destruction of the World Trade Center, the damage to the Pentagon, or related Federal actions.
4. The business downturn reflects a general public reluctance to travel, spend money or gather in public places, and is not directly caused by the destruction of the World Trade Center, the damage to the Pentagon, or related Federal actions.
5. The business has no need for assistance because it is still able to meet its financial obligations as they mature and is still able to pay ordinary and necessary operating expenses, and/or the business and its owners have the resources to meet all needs without undue financial hardship.

### **Other Reasons Why a Small Business Wouldn't Qualify for a Loan**

Here are some examples of reasons why a small business wouldn't qualify for a loan:

1. The business could not repay a loan based on its pre-September 11<sup>th</sup> financial condition.
2. The business or its principals had an unacceptable credit history before September 11<sup>th</sup>.

3. The business or its principals have an unsatisfied lien to the Federal government.
4. The business or its principals have not filed Federal Income Tax Returns or properly obtained an extension for filing.

## **Loan Terms**

*The principal advantage of an SBA Economic Injury Disaster Loan is the affordable payments possible because of the low interest rate and long term, as needed.*

Interest Rate: The interest rate for this program is 4 percent.

Loan Term: SBA determines the term of each loan in accordance with each borrower's ability to repay. The law authorizes loan terms up to a maximum of 30 years.

Loan Amount Limit: The maximum loan amount is \$1.5 million. However, SBA establishes each loan amount based on the actual economic injury to each business, less any business interruption insurance or other recovery. This limit applies to a business and its affiliates, if any.

Collateral: Loans up to \$5,000 do not require collateral. For loans of more than \$5,000, SBA will require the borrower to pledge collateral to the extent that it is available. Generally, SBA will take a lien on real property. SBA will also require personal guarantees of the business principals. SBA won't decline a loan application because sufficient collateral isn't available, but will refuse to make a loan if the available collateral isn't pledged.

Insurance Requirements: To protect each borrower and SBA, SBA requires borrowers to obtain and maintain appropriate insurance. Hazard insurance is required on collateral. If collateral is located in a special flood hazard area, SBA also requires flood insurance.

## **Deciding Whether to Apply**

SBA encourages small businesses to submit an application if they need help and if they think they might qualify.

## How to Apply

**To request an application for the September 11<sup>th</sup> Economic Injury Disaster Loan program, contact the appropriate SBA Disaster Area Office, as indicated below.**

For small businesses located in *Connecticut, District of Columbia, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virgin Islands, Virginia and West Virginia*, either

1. Call toll-free at **(800) 659-2955** and ask to speak with a customer service representative, or
2. Write to **SBA Disaster Area 1 Office  
360 Rainbow Boulevard South, 3<sup>rd</sup> Floor  
Niagara Falls, NY 14303**

For small businesses located in *Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee and Wisconsin*, either

1. Call toll-free at **(800) 359-2227** and ask to speak with a customer service representative, or
2. Write to **SBA Disaster Area 2 Office  
One Baltimore Place, Suite 300  
Atlanta, GA 30308**

For small businesses located in *Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah and Wyoming*, either

1. Call toll-free at **(800) 366-6303** and ask to speak with a customer service representative, or
2. Write to **SBA Disaster Area 3 Office  
4400 Amon Carter Boulevard, Suite 102  
Ft. Worth, TX 76155**

For small businesses located in *Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Washington, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, and the Republic of the Marshall Islands*, either:

1. Call toll-free at **(800) 488-5323** and ask to speak with a customer service representative, or
2. Write to **SBA Disaster Area 4 Office  
P.O. Box 13795  
Sacramento, CA 95853-4795.**

### **Deadline to Apply**

All applications must be postmarked by **January 21, 2002**.

### **Documentation Needed to Apply**

The application form is a simple, double-sided document. It lists the information needed. Most of the documentation needed is normal financial information.

*For this program, SBA also needs a written explanation of how the destruction of the World Trade Center, the damage to the Pentagon, or a related Federal action taken between September 11<sup>th</sup> and October 22<sup>nd</sup> has directly resulted in substantial economic injury to the applicant small business.*

### **Time to Receive SBA Loan Decision**

SBA processes applications on a first-come, first-served basis. Generally, SBA tries to reach decisions on applications within 21 days. The most common reason for delay is incomplete information from the applicant.